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SUBJECT: KOENDERS ON FUTURE DUTCH FOREIGN DEVELOPMENT ASSISTANCE

REF: THE HAGUE 1091

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¶1. (SBU) SUMMARY. Dutch foreign assistance will now increase emphasis on women's rights, fragile and conflict states, climate change, and economic growth issues in a shift of development strategy recently unveiled by Bert Koenders, the Netherlands' new and energetic Development Minister. The strategy aims to better track results and ends assistance to seven countries. Multilaterally, the strategy calls for giving developing countries a larger say in IMF and World Bank decision-making, consolidating UN operations in the field, improving consistency between the EU and Dutch on foreign assistant programs, and increasing collaboration within the framework of the OECD's Paris Declaration on Aid Effectiveness.

¶2. (SBU) GONL actions to date underscore these new priorities, including support for UN programs in Afghanistan, emergency aid to flood victims in Africa, and an increase in the Dutch contribution to the Global Fund to fight AIDS, malaria, and tuberculosis. Koenders is likely to use his upcoming visit to Washington for the IMF/World Bank meeting to showcase his views on the way forward for development assistance. (See reftel for biographical information on Koenders.) END SUMMARY.

Consultations with Dutch Civil Society

¶3. (U) While most of the new cabinet traveled around the Netherlands during the first hundred days of the fourth Balkenende government in February, Minister for Development Cooperation Bert Koenders traveled to Africa -- visiting Uganda, Rwanda, Burundi, Southern Sudan, Darfur and Chad -- to become more familiar with the difficulties facing these countries and to study the effectiveness of Dutch aid. In the Netherlands Koenders met with various NGOs, business and religious leaders, and concerned citizens to seek their views on the future direction of Dutch foreign development assistance.

¶4. (U) To further engage the country on foreign development assistance issues, Koenders signed, together with 36 prominent businesses, associations, and institutions, a widely-publicized June

30 Schokland Accord. The accord outlined areas where governments, business, and society could contribute to the Millennium Development Goals (MDGs). Koenders also used this opportunity to announce a Schokland fund of 50 million euros, which would promote -- through the provision of knowledge and resources -- innovative ideas that support one or more of the MDGs.

Establishing Priorities for Development Assistance

¶5. (U) Drawing on these consultations, Koenders presented to Parliament on October 16 a new Dutch foreign development assistance strategy. In an earlier meeting with Emboffs, Maarten Brouwer, Director, Effectiveness and Quality Department, Dutch Ministry of Foreign Affairs (MFA) explained that the following priorities would not replace, but rather "intensify" existing efforts:

-- Address gender inequality and poverty by increasing educational and employment opportunities for women and by focusing on family planning.

-- Target fragile states and conflict areas by increasing their capacity to absorb shocks caused by economic and natural disasters and/or regional conflicts and terrorism. Address state-sponsored violence, especially in Africa. (Koenders has stated previously that corruption, although a major risk to development, should not deter the Netherlands from aiding those most in need. He has also promised the GONL will do more to monitor aid distribution.)

-- Address climate change by supporting the G8 target of reducing emissions by 50 percent by 2050 and by advocating the "polluter pays" principle (The GONL plans to investigate how to fund developing country efforts to adapt to climate change and rising energy prices. Koenders has established an inter-ministerial working group, with participants from the ministries of Foreign Affairs, Environment and Transport on climate change. One of the

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working group's goals is to encourage partner countries to embrace sustainable energy).

-- Promote more evenly distributed economic growth and increased equality and access to institutions and power in order to realize economic growth while also reducing poverty.

¶6. (SBU) In the multilateral arena, Browers said Koenders plans to pursue the following priorities:

-- Increase participation of developing countries in the decision-making process at the IMF and World Bank;

-- Accelerate the pace of "one-UN" reforms that seek to consolidate UN operations in the field (the Dutch are already financing a few related pilots);

-- Maintain close cooperation with the EU to avoid inconsistency between EU and Dutch foreign development assistance efforts; and

-- Increase collaboration within the framework of the Paris Declaration on Aid Effectiveness and promote inclusiveness on sensitive political issues.

New Categories for Partner Countries

¶7. (SBU) The new strategy will phase out, over the next four years, assistance to seven of the Netherlands' 36 foreign assistance development partner countries (Albania, Armenia, Bosnia-Herzegovina, Cape Verde, Eritrea, Macedonia, and Sri Lanka). It divides the remainder into three categories to help obtain "accountable results," according to Brouwer. The first category will include well-governed traditional aid recipients with large poverty problems (Bangladesh, Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Kenya, Mali, Mongolia, Mozambique, Nicaragua, Rwanda, Senegal, Tanzania, Uganda, Yemen, and Zambia). The second category will include

fragile states and areas that lack the conditions to achieve the MDGs (Afghanistan, Burundi, Columbia, Congo, Guatemala, Kosovo, Pakistan, Palestine, and Sudan). A third category will include countries that do not require significant aid, have annual GDP per capita over \$1,000, but risk falling back into poverty (Egypt, Georgia, Indonesia, Moldova, Vietnam, South Africa, and Suriname).

¶18. (SBU) Local circumstances, along with Koenders' policy preferences, will also determine in which category countries were placed, Brouwer noted. The GONL did not plan to set quotas for the number of countries in each category or the total budget for each category. The GONL will release subject-specific papers in 2008 detailing how such a strategy would be implemented.

Initial Actions Underscore Priorities

¶19. (U) Since coming into office, Koenders has already undertaken some significant decisions and actions that underscore his Ministry's new priorities. His new strategy earmarked an extra 100 million euros (\$141.8 million) for fragile states and an extra 375 million euros (\$531.9 million) for sustainable energy investments to confront the challenge of climate change. In July, Koenders supported a UN proposal to appoint a special representative in Kabul for UN programs in Uruzgan, and the GONL pledged 15 million euros (\$21 million) through the Afghanistan Reconstruction Trust Fund for programs in human rights, judicial reform, infrastructure, and women's rights in Afghanistan. In September, the GONL gave 11 million euros (\$16 million) in emergency aid to flood victims in Uganda, West Africa, and Sudan. In October, Koenders announced an increase of 50 million euros (about \$70.9 million) over the years 2008-2010 for the Global Fund to fight AIDS, malaria, and tuberculosis. The annual Dutch contribution will rise from \$85.1 million in 2008 to an estimated \$127.7 million by 2010.

COMMENT: Positive Reactions to the Shift in Emphasis

¶10. (SBU) Initial reactions to the strategy within the press, Parliament, and the Dutch foreign development community have been positive. Hivos -- one of the largest Dutch development NGOs with 750 partner organizations and active in 31 countries -- welcomed

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Koenders' "ambitious" plans, especially in the area of women's rights. Further parliamentary reaction is expected when the Parliament debates the Dutch foreign development cooperation budget during the week of November 6. Koenders is likely to use his attendance at the October 20-21 IMF/World Bank Annual meeting and any discussion/meetings on the margins to showcase his views on the way forward for Dutch as well as multilateral foreign development assistance efforts. In particular, he can be expected to encourage the World Bank to focus on the poorest countries, fragile states, climate issues, and accountability.

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